

"(iv) EXCEPTION FOR
GOVERNMENTAL
PLANS.—Clauses (ii) and (iii) shall
not a
case of a governmental plan or
church pi*
poses of this clause, the term
church I
a plan maintained by a church for
church
and the term "church" means any
church
in section 3121(w)(3)(A) or
qualified church
organization (as defined in section
3121(w)(i)

26 USC 401 note. (b) EFFECTIVE DATE.—The amendment
made by sub
shall apply to years beginning after
December 31, 1996.

CHAPTER 2—INCREASED ACCESS TO RETIR PLANS

Subchapter A—Simple Savings Plans

SEC. 1421. ESTABLISHMENT OF SAVINGS INCENTIVE MA FOR EMPLOYEES OF SMALL EMPLOYERS.

(a) IN GENERAL.—Section 408 (relating to
individual
accounts) is amended by redesignating
subsection (n) as
(o) and by inserting after subsection (o) the
following
section:

"(p) SIMPLE RETIREMENT ACCOUNTS.—
"(1) IN GENERAL.—For purposes of this
title.

"(A) simple retirement account means an
individual retir
(as defined in section 7701(a)(37))—

"(B) with respect to which the
requireme
graphs (3), (4), and (5) are met; and

"(C) with respect to which the
only c<
allowed are contributions under a
qualified salari
arrangement.

"(2) QUALIFIED SALARY REDUCTION ARRANGEMENT

"(A) IN GENERAL.—For purposes of this sub
term "qualified salary reduction arrangement" m
ten arrangement of an eligible employer und

"(i) an employee eligible to particip
arrangement may elect to have the emp
payments—

"(I) as elective employer
contri
simple retirement account on
beh
employee, or

"(II) to the employee directly in cas
"(ii) the amount which an employee

under clause (i) for any year is required to be as a percentage of compensation and may not exceed a total of \$6,000 for any year.

"(iii) the employer is required to make contribution to the simple retirement account in an amount equal to so much of 1% of the employee's compensation for the year as does not exceed the applicable percentage of compensation for the year, and

"(iv) no contributions may be made under clause (i) or (iii).

"(B) EMPLOYER MAY ELECT 2% CONTRIBUTION.

CONTRIBUTION.